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SUBJECT: MALI'S INPUT ON REPORT ON FISCAL TRANSPARENCY

REF: STATE 016737

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In response to reftel, Embassy's input on the Congressionally-mandated report on fiscal transparency in countries receiving USG assistance is provided:

-- Is the host country's budget made public?

Yes, it is made public annually.

-- If so, through what medium?

The GOM publishes a complete volume following the approval of the budget at the National Assembly.

-- Are all revenues and expenditures included in the publicly-available budget?

Yes, they are included in the budget.

-- How meaningful and accurate is the information?

We believe that it is meaningful and accurate; the IMF must approve the drafted document prior to its adoption.

-- If a country is weak on fiscal transparency is it due to capacity or lack of will?

The higher levels of the Malian government have expressed a will to improve transparency, but complain of a lack of capacity to provide oversight over the entire process. USAID's programs help in capacity building. Also, the GOM would like to conduct audits more frequently, but lacks the trained accountants and resources. The Auditor General has requested more training on several occasions to improve their services.

-- Are there any USG programs to strengthen the host country's capacity to develop sound fiscal policies and that support transparency and good governance?

USAID Mali's Shared Governance Program works directly with elected mayors, local government officials and civil society organizations to develop financial management systems, including tax revenue tracking, budget development and tracking, and accounting systems. The approach uses local radio stations to reinforce transparency and ensure that residents of the communes are fully aware of how their taxes are being used. The program has already demonstrated some success in increasing tax revenues for local communities.

-- Are there other donor countries or multilateral institutions providing assistance in these areas?

The Canadian and German development agencies have similar

programs (based largely on the USAID Shared Governance model). Other donors, including the Dutch, European Union, French and the World Bank support Malian financial management programs through budgetary support.

-- Has the country volunteered for the IMF to report on the country's compliance with standards and codes covering fiscal transparency?

Yes, the IMF reported on Mali's compliance with standards covering fiscal transparency in February 2002.

The IMF reported that "Mali has made progress in recent years in increasing the transparency of government operations. The legislative base underlying the budget is very extensive. Some modern developments in budgeting, such as the preparation of program budgets that focus on government objectives, have become institutionalized as part of budget preparation (although the organic budget law has not been modified to include the tendency toward focusing on budget outcomes). The budget document presents a clear description of the fiscal and economic outlook, although a full-fledged medium-term budget framework has not yet been developed. Mali's Finance Committee of Parliament plays an important role in examining budget estimates.

"Good quality monthly data on central government expenditures on a payments orders basis are available within ten days after the end of a month. However, longer delays are experienced in obtaining fully comprehensive fiscal data, especially for foreign-financed projects. Most periodic fiscal reports are not published, but interested observers generally may obtain them. Internal audit institutions are quite effective -- they have revealed past irregularities, which are being addressed by a high-level anti-corruption committee. In contrast, the external audit agency is particularly weak and annual accounts of government are

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examined with many years' delay because of insufficient resources." (Note: the Auditor's General office was created in 2004, following this report, and has been more effective at uncovering irregularities.)

The Malian authorities state that they are committed to improving fiscal transparency further. The IMF proposes that, apart from speeding up the production of monthly fiscal reports, efforts should focus on four areas, prioritized as follows: (i) establish an effective external audit office and further strengthen internal audit; (ii) improve further the budget preparation process; (iii) address weaknesses in the legal framework governing the budget; and (iv) provide the public with more information on government finances.
MCCULLEY